

Message Text

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15

ACTION NEA-09

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TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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R 121237Z MAY 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 1494

INFO AMEMBASSY CAIRO

AMEMBASSY KABUL

C O N F I D E N T I A L TEHRAN 4419

E.O. 11652: GDS

TAGS: EID, EALR, BESP, IR, AF

SUBJ: IRAN/AFGHANISTAN ECONOMIC RELATIONS

REF: (A) KABUL 2915, (B) KABUL 2815, (C) KABUL 2460, (D) TEHRAN 1248,
(E) TEHRAN 4114

1. SUMMARY: GOI SOURCE CONFIRMS MEMO OF UNDERSTANDING COMMITTING MORE THAN \$700 MILLION IN AID TO AFGHANISTAN BUT STATES ONLY SMALL PROJECTS WERE SPECIFIED THEREIN. TEXTILE PLANTS PROJECT IS EXPECTED TO BE IMPLEMENTED SOON. GOI IS BECOMING PUBLICITY SHY ABOUT FOREIGN ASSISTANCE. END SUMMARY.

2. EMBOFF ON MAY 12 DISCUSSED ECONOMIC ASPECTS OF DAOUD VISIT TO IRAN WITH MINISTRY OF ECONOMIC AFFAIRS AND FINANCE, DIVISION OF FOREIGN LOANS, ASSISTANT DIRECTOR KHALEGHIRAD, WHO STATED HE HAD JUST RECEIVED A COPY OF MEMORANDUM OF UNDERSTANDING REPORTED IN REFERENCE A. KHALEGHIRAD CONFIRMED THAT MEMORANDUM SPECIFIED IRANIAN COMMITMENT TO AFGHANISTAN EXCEEDING \$700 MILLION BUT HE DENIED THAT MOST OF THIS AMOUNT IS EARMARKED FOR LOWER HELMAND RIVER BASIN AREA DEVELOPMENT. HE SAID THAT THE ONLY PROJECTS SPECIFIED ARE \$2.5 MILLION FOR "AIRPORT EQUIPMENT,"

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FINANCING OF 200 BUSES AND 18 MINI-BUSES TIED TO PURCHASE FROM

IRAN, AND IRANIAN BACKING OF AN EXPORT CREDIT BANK TO BE ESTABLISHED IN AFGHANISTAN. KHALEGHIRAD SAID OTHER PROJECTS STILL HAVE TO BE AGREED UPON ON A CASE BY CASE BASIS. HE ADDED THAT THE TERMS FOR FINANCING OF "INFRASTRUCTURE TYPE" PROJECTS IN AFGHANISTAN WOULD BE "SIMILAR TO IDA," BUT THAT THE INTEREST RATE AND REPAYMENT PERIOD FOR "INDUSTRIAL" PROJECTS WOULD BE NEGOTIATED ON A CASE BY CASE BASIS.

3. IN RESPONSE TO QUESTION ABOUT KANDAHAR AND HERAT TEXTILE PLANTS (REF C), KHALEGHIRAD SAID THAT THESE WERE NOT MENTIONED IN MOMORANDUM OF UNDERSTANDING, BUT HE ADDED THAT A LETTER ATTACHED TO THE MEMORANDUM SPECIFIES THAT THE TEXTILE PROJECTS WILL BE IMPLEMENTED "VERY SOON."

4. KHALEGHIRAD DESCRIBED THE IRANIAN APPROACH TO AID TO AFGHANISTAN AS "BIT BY BIT." HE REPEATED SPECIFIC INSTRUCTIONSS FROM THE SHAH THAT IRANIS TO ASSIST AFGHANISTAN "INSOFAR AS WE CAN." HE ADDED THAT THE \$700 MILLION IN THE MOMORANDUM OF UNDERSTANDING DOES NOT INDICATE AN UPWARD LIMIT ON AID TO AFGHANISTAN AND THAT THE FINAL AMOUNT MAY BE CONSIDERABLY HIGHER THAN THIS AMOUNT.

5. RESPONDING TO QUESTIONS AS TO WHY PRESS HAD NOT MENTIONED FIGURES ON GOI AID TO AFGHANISTAN OR ON RECENTLY COMMITTED ADDITIONAL \$125 MILLION LOAN TO EGYPT (REF E), KHALEGHIRAD STATED "THE PROBLEM IS THAT THE MINISTER HAS STATED PUBLICLY WE WILL MAKE NO NEW AID COMMITTEMENTS, WHEN IN FACT FOR POLITICAL REASONS WE ARE MAKING THEM."

6. THE EMBASSY IS NOTT AWARE OF ANY INTEREST OF PRIVATE IRANIAN INVESTORS GROUP IN AFGHANISTAN (REF B). IN GENERAL, IRANIAN PRIVATE SECTOR CURRENTLY SEEMS TO FIND INVESTMENT IN IRAN MORE ATTRACTIVE THAN IN OTHER COUNTRIES. GABOR SHOES ARE PRODUCED BY MELLI SHOE COMPANY, WHICH IS ONE OF THE LARGEST SHOE MANUFACTURERES IN IRAN AND COULD EASILY HAVE A JOINT VENTURE OR LICENSING ARRANGEMENT WITH A GERMAN COMPANY.

7. COMMENT: AS HAS BEEN THE CASE IN THE PAST, IT SEEMS LIKELY THAT THE AFGHANS HAVE READ MORE INTO GOI AID COMMITMENTS TO AFGHANISTAN THAN THE IRANIANS INTENDED. HOWEVER, THERE
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IS NO REASON TO DOUBT THE GOI'S COMMITMENT TO SIZABLE ASSISTANCE TO AFGHANISTAN. EMBASSY ASSUMES PREVIOUSLY REPORTED \$9 BILLION CEILING ON TOTAL CAPITAL EXPORT FROM IRAN (REF D) STILL STANDS, BUT ENOUGH SLIPPAGE IS EXPECTED BETWEEN COMMITMENTS AND ACTUAL DRAWDOWNS TO GIVE THE GOI SUFFICIENT FLEXIBILITY TO MODIFY FOREIGN AID APRIORITIES DEPENDING ON THE EXIGENCIES OF THE MOMENT.
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